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Defendant.

FILED
FEB 27 2004
IN THIS OFFICE
Clerk U. S. District Court
Greensboro, N. C.
By _____

MEMORANDUM OPINION

This matter comes before the Court on Plaintiff PeopleTree Staffing Solutions, Inc.’s (“PeopleTree”) Motion to Dismiss the Counterclaim of Defendant People, Inc. and Motion to Remand the case to the General Court of Justice, Superior Court Division, Durham County, North Carolina [Document #3]. For the reasons stated below, Plaintiff’s Motion to Remand is GRANTED.

Both parties in this matter, PeopleTree and People, Inc., are North Carolina corporations offering job-placement services in and around the Research Triangle region of North Carolina. On 19 May 2003, PeopleTree filed a Complaint in the Superior Court of Durham County, North Carolina, against People, Inc. In its Complaint, PeopleTree alleges that it has registered the mark “PeopleTree” with the Office of the Secretary of State of North Carolina pursuant to chapter 80, article 1, of the North Carolina General Statutes. PeopleTree further alleges that Defendant has recently begun using the name “People, Inc.” in the area serviced by PeopleTree, and that the name

“People, Inc.” is confusingly similar to the name “PeopleTree.” Based on these allegations, PeopleTree seeks redress from People, Inc. on three claims: (1) registered service mark infringement, (2) unfair and deceptive trade practices and (3) common law service mark infringement. Each of these claims is based on the law of the State of North Carolina and PeopleTree’s Complaint contains no mention of federal trademark law.

On 3 July 2003, People, Inc. filed a Notice of Removal [Document #1] purporting to remove the matter to this Court because “Defendant’s [c]ounterclaim is based in part upon the Lanham Act § 43(a), 15 U.S.C. § 1125(a).” (Notice Removal at 1.) People, Inc. then filed an Answer denying PeopleTree’s claims and asserting counterclaims against PeopleTree. [Document #2]. People, Inc. alleges that it, through its predecessors, has been using the “People, Inc.” name since 1993 and thus has acquired common-law rights to the name. Further, People, Inc. alleges PeopleTree has “disseminated disparaging and erroneous remarks in the marketplace” concerning People, Inc. with the intention of damaging People, Inc.’s reputation in the marketplace. People, Inc. alleges that PeopleTree has thereby violated section 43(a) of the Lanham Act, 15 U.S.C. § 1125(1), and Chapter 75 of the North Carolina General Statutes.

In response, PeopleTree filed a Motion to remand the matter to the Durham County Superior Court and to dismiss People, Inc.’s counterclaims pursuant to Rules 12(b)(1) and 12(b)(6) of the Federal Rules of Civil Procedure, respectively. These motions are now before the Court.

II. DISCUSSION

A. PeopleTree’s Motion to Remand

As a threshold matter, the Court must consider whether jurisdiction exists for this matter

to be heard in federal court. “Only state-court actions that originally could have been filed in federal court may be removed to federal court by the defendant. Absent diversity of citizenship, federal-question jurisdiction is required.” Caterpillar Inc. v. Williams, 482 U.S. 386, 392, 107 S. Ct. 2425, 2429, 96 L. Ed. 2d 318 (1987); accord Trexler v. Norfolk S. Ry., 957 F. Supp. 772, 775–76 (M.D.N.C. 1997). Given the lack of diversity between the parties in this case, removal of this matter from the Durham County Superior Court is proper only if a federal question exists. In reviewing the existence of such a federal question, we keep in mind that “[d]ue regard for the rightful independence of state governments . . . requires that federal courts scrupulously confine their own jurisdiction to the precise limit which the statute has defined.” Finley v. United States, 490 U.S. 545, 552–53, 109 S. Ct. 2003, 2009, 104 L. Ed. 2d 593 (1989); accord Dash v. FirstPlus Home Loan Owner Trust 1996-2, 248 F. Supp. 2d 489, 496 (M.D.N.C. 2003). Accordingly, federal removal statutes are to be strictly construed, resolving any doubts in favor of remand. Shamrock Oil & Gas Corp. v. Sheets, 313 U.S. 100, 108–09, 61 S. Ct. 868, 871–72, 85 L. Ed. 1214 (1941); Mulcahey v. Columbia Organic Chems. Co., 29 F.3d 148, 151 (4th Cir. 1994); Dash, 248 F. Supp. 2d at 496. Finally, the party seeking to remove the case to federal court, in this case People, Inc., bears the burden of establishing federal jurisdiction. Mulcahey, 29 F.3d at 151 (citing Wilson v. Republic Iron & Steel Co., 257 U.S. 92, 42 S. Ct. 35, 66 L. Ed. 144 (1921)).

The facts, as presented by PeopleTree in the Complaint, would tend to give rise to a claim under the Lanham Act, 15 U.S.C. § 1051 et seq., thereby creating the requisite federal question. However, PeopleTree is not bound to the Lanham Act as its only means of recourse. In addition to federal law, PeopleTree may also seek a remedy under the laws of the State of North Carolina, specifically the Trademark Registration Act, North Carolina General Statutes sections 80-1 to 80-

15.¹ When the plaintiff is presented with both state and federal remedies, the court must examine the plaintiff's claims under the well-pleaded complaint rule. Rivet v. Regions Bank of La., 522 U.S. 470, 475, 118 S. Ct. 921, 925, 139 L. Ed. 2d 912 (1998); Caterpillar, 482 U.S. at 392, 107 S. Ct. at 2429. Under the well-pleaded complaint rule, removal on the grounds of federal question jurisdiction is proper only when the requisite "federal question is presented on the face of the plaintiff's properly pleaded complaint." Caterpillar, 482 U.S. at 392, 107 S. Ct. at 2429; accord Okla. Tax Comm'n v. Graham, 489 U.S. 838, 840–41, 109 S. Ct. 1519, 1520–21, 103 L. Ed. 2d 924 (1989); Franchise Tax Bd. v. Constr. Laborers Vacation Trust, 463 U.S. 1, 10, 103 S. Ct. 2841, 2846–47, 77 L. Ed. 2d 420 (1983). "The rule makes the plaintiff the master of the claim; he or she may avoid federal jurisdiction by exclusive reliance on state law." Caterpillar, 482 U.S. at 392, 107 S. Ct. at 2429; accord Pendergraph v. Crown Honda-Volvo, LLC, 104 F. Supp. 2d 586, 588 (M.D.N.C. 1999). A plaintiff asserting facts that may invoke either federal or state jurisdiction may choose to limit the claim to one based solely upon state law and proceed in state court. Okla. Tax Comm'n, 489 U.S. at 840–41, 109 S. Ct. at 1520–21. Therefore, when a plaintiff has the option of pursuing federal remedies, state remedies, or both, a plaintiff must clearly state that he is seeking relief under the federal statute, or removal is improper. Phillips Petroleum Co. v. Texaco, Inc., 415 U.S. 125, 127–28, 94 S. Ct. 1002, 1003–04, 39 L. Ed. 2d 209 (1974); see also Hunter Douglas Inc. v. Sheet Metal Workers Int'l Ass'n, Local 159, 714 F.2d 342 (4th Cir. 1983).

In the case at bar, PeopleTree has been presented with the option of pursuing its claims

¹ "A plaintiff can choose any one of three types of trademark actions: a state common law trademark infringement suit, a state law unfair competition suit, or a federal law trademark infringement suit." Johnson v. Tuff-N-Rumble Mgmt., Inc., No. CIV.A. 02-1734, 2002 WL 31819167, at *5 (E.D. La. Dec. 13, 2002) (citing La Chemise LaCoste v. Alligator Co., 506 F.2d 339, 345–46 (3d. Cir 1974)).

under the Lanham Act, under North Carolina state law, or under both federal and state law. However, PeopleTree's Complaint alleges only violations of North Carolina law and was filed in state court. PeopleTree has shown no indication on the face of its Complaint to present a federal claim under the Lanham Act. Thus, under the well-pleaded complaint rule, no federal question has been presented.

The result dictated by the well-pleaded complaint rule remains unchanged in light of People, Inc.'s counterclaim. People, Inc.'s counterclaim alleges PeopleTree has violated section 43(a) of the Lanham Act, 15 U.S.C. § 1125(1). However, the existence of a defense or counterclaim implicating federal law does not create jurisdiction in the federal court. Franchise Tax Bd., 463 U.S. at 10, 103 S. Ct. at 2846–47; see also 16 James Wm. Moore et al., Moore's Federal Practice § 107.14[3][a][vi] (3d ed. 2001). "Jurisdiction may not be sustained on a theory that the plaintiff has not advanced." Merrell Dow Pharms. Inc. v. Thompson, 478 U.S. 804, 809, 106 S. Ct. 3229, 3233, 92 L. Ed. 2d 650 (1986); accord Pendergraph, 104 F. Supp. 2d at 589. Despite the efforts of a defendant, "the plaintiff is absolute master of what jurisdiction he will appeal to." Healy v. Sea Gull Specialty Co., 237 U.S. 479, 480, 35 S. Ct. 658, 659, 59 L. Ed. 1056 (1915); accord United States v. Mottaz, 476 U.S. 834, 850, 106 S. Ct. 2224, 2234, 90 L. Ed. 2d 841 (1986); Custer v. Sweeney, 89 F.3d 1156 (4th Cir. 1996). "Accordingly, where a plaintiff does not clearly state relief under the Lanham Act, removal is not proper." Gateway 2000, Inc. v. Cyrix Corp., 942 F. Supp. 985, 993 (D.N.J. 1996); see also Vitarroz Corp. v. Borden, Inc., 644 F.2d 960, 963 (2d Cir. 1981). Therefore, Defendant's Motion to Remand this case to the Superior Court of Durham County, North Carolina is hereby GRANTED.

B. PeopleTree's Motion to Dismiss

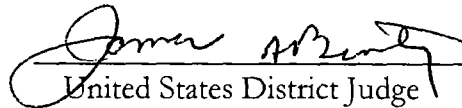
PeopleTree has also moved to dismiss People, Inc.'s counterclaim for violation of section 43(a) of the Lanham Act, 15 U.S.C. § 1125(1). In light of the Court's decision to remand the case, consideration of PeopleTree's Motion to Dismiss is a matter best left to be conducted by the state court.

III. CONCLUSION

For the foregoing reasons, Plaintiff's Motion to Dismiss and Remand is GRANTED IN PART, and the matter is remanded to the General Court of Justice, Superior Court Division, Durham County, North Carolina.

An Order consistent with this Memorandum Opinion will be filed contemporaneously herewith.

This, the 5th day of February, 2004.


United States District Judge